GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

MINES & QUARRIES – Promotion of Manufactured Sand in place of River Sand in construction activity - Manufactured Sand Policy-2016 – Orders – Issued.

INDUSTRIES AND COMMERCE (MINES-II) DEPARTMENT

G.O.Ms.No.38 Date:17-03-2016.

Read the following:

1) DM&G Letter No. 3337/P/2014, dt:27.10.2015.
2) G.O.Ms.No. 19, Ind. & Com.(M.II) Dept., dt: 15.01.16.
3) G.O.Ms.No. 20, Ind. & Com.(M.II) Dept., dt: 15.01.16.
4) G.O.Ms.No.53, Ind. & Com.(Prog-I) Dept., Dt: 23-07-2015.

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Order:-

In the reference 1st read above, the Director of Mines & Geology, Hyderabad submitted the proposal for issuance of a Policy to promote the development of Manufactured Sand industries since the Manufactured Sand (M-Sand) is an alternative to the River Sand in construction activity in view of the increase in demand of sand for domestic consumption as well as the scarcity of River Sand.

2. In the G.O 2nd and 3rd read above, the Government committed to encourage Manufactured Sand as an alternative to River Sand in order to conserve River Sand in the State.

3. Hence, the present policy for promoting Manufactured Sand industries in the State to utilize Manufactured Sand in place of River Sand in construction activity is issued.

MANUFACTURED SAND POLICY – 2016

A) PREAMBLE

a) Rivers, Forests, Minerals and such other resources constitute a Nation's natural wealth. These resources are not to be frittered away and exhausted by any one generation. Every generation owes a duty to succeeding generations to develop and conserve the natural resources of the Nation in the best possible way in the larger public interest. The Principle of Intergenerational Equity is recognized world over, as one generation of human kind has an obligation to conserve and pass on the natural resources to the succeeding generation.

River systems in the State shall not be treated as a source of Sand as conservation of Water-bodies is paramount obligation of the State which is an essential resource for survival of the mankind. There is no alternate for Water but there is alternate for River Sand in the

form of M-sand, which is produced from crushing of the Rock to a required size of 150 microns. Manufactured sand is produced by crushing rocks, quarry stones or larger aggregates pieces into sand-sized particles. Rocks or quarry stones are blasted and subjected to a series of crushing cycles to reduce the particles to the size of naturally occurring sand. The produced sand is then sieved and washed to remove fine particles and impurities, and tested for various quality aspects before it is deemed fit as a construction aggregate. Manufactured Sand is produced from crushing of the rock to required size and gradation suitable for construction industry.

The use of Manufactured Sand is steadily growing due to various reasons. Global scarcity for natural sand exists. Injudicious sand mining and continuous depletion of natural aggregate sources have led to the implementation of new environmental/land use legislations which has made the procurement of natural sand difficult and expensive. In addition, presence of silt and clay in natural sand is another reason for increased use of Manufactured sand. Natural sand is inherently high in silt and clay. It can be damaging for screed and concrete, if the sand is not sufficiently processed to bring down clay and other impurity content to acceptable levels. Manufactured sand also reduces the wastage of low-value by-products in the quarries. The low value aggregates formed as a by-product of rock crushing can be utilized efficiently to create a high value product.

M-Sand also offers higher flexural strength, better abrasion resistance, higher unit weight and lower permeability. Due to these advantages, manufactured sand is being used on a large scale by the construction sector.

a) **Environmental concerns regarding River Sand Quarrying:**

i) Sand quarrying is desirable only up to permissible limits as it prevents channel shifting, progress of flood plain and erosion effects on opposite banks of river bed.

ii) However, indiscriminate sand quarrying ultimately results in lowering of fresh water table and draught conditions.

B) Objectives of M-Sand Policy:

The main objectives are:

i) To prevent damage to eco system by rationalizing the use of river sand in a conserved manner without causing damage to environment.

ii) To promote the development of the Manufactured Sand industry as an alternative to River Sand, given the increasing demand of sand for domestic consumption as well as the scarcity of river sand.

iii) To encourage the MSME sector in setting up of Manufactured Sand units across all districts, generate employment and effective utilization of resources within the state of Andhra Pradesh.

C) Demand and Supply of Sand:

Estimated annual demand for sand in Andhra Pradesh is about 200 Lakh Cbmt and is projected to go upto 250 Lakh cum. Estimated annual production of River Sand is about 100 Lakh Cbmt. Hence, quantity required to meet the present surplus annual demand is 100-150 Lakh Cbmt.

D) Future demand for sand:

i) Visakhapatnam, Guntur, Nellore, Tirupathi, Vijayawada& Kurnool are major centers of urbanization, and consume about 50-60% of the sand produced in the state. These cities would continue to be major drivers for sand consumption in the state.

ii) The proposed capital of the state at Vijayawada would also be a major demand driver for sand consumption and in fact other building materials also, due to the construction boom and other major civil works expected in the city.

iii) There are plans for upgrading the domestic airports of Visakhapatnam, Rajahmundry, Gannavaram, Kadapa & Tirupathi to international airports – this will also entail major construction works which will in turn drive demand for sand.

iv) The road connectivity within the State and with adjacent States is expected to improve along with the widening of roads – this will also drive demand for sand.

E) Manufactured Sand and Potential for establishment of Manufacturing Units:

1) (a) **Manufactured Sand (M-Sand)** is fine aggregate produced by crushing hard rock by using crushing, shaping, screening and classifying methods. Such Manufactured Sand obtained must confer to IS Code and should be suitable for construction activity. Fine particles of less than 150 Microns size shall not be present in excess quantity than the percentage specified in the IS code. Stone dust obtained in conventional crushing units shall not be treated as Manufactured Sand as it is detrimental for use in construction and is **not eligible for claiming incentives**.

(b) M-Sand unit for the purpose of availing incentives is defined as a unit which produces atleast 50% of its total produce as Manufactured Sand.

2) Availability of Raw Material for Manufactured Sand in the State:

(i) Vast deposits of Charnokite suite of rocks and Khondalites, which are suitable to establish Manufactured sand units in Visakhapatnam, Srikakulam, and Vizianagaram Districts.

(ii) Vast tracts of Quartzites, Pegmatites in addition to Granite Rock deposits are source rocks to setup Manufactured sand units in Chittoor, Kadapa and Anantapuramu Districts.

3) Presently there are about six Manufacturing Sand units in the State. It is estimated that 30 or more such units of 1000 Cbm per day are needed just to meet the current unmet demand of 100 Lakh Cbm. The growing demand for sand provides the potential for further units to be established based on the vast Raw material source available in the State.

F) Incentives to be provided for the Manufactured Sand Industry in A.P:

1) For establishment of Manufactured Sand Units, the following incentives will be provided, subject to the sale happens within the State and the incentives **shall be apportioned in the ratio of Manufactured sand produced to the total unit production**.

All manufacturing sand units will be accorded industry status.

In addition to the above, the following incentives will be extended to different category of industries as per MSME Policy 2015-20.

1. Micro and Small Enterprises

i) Stamp Duty:

100% of stamp duty and transfer duty paid by the industry on purchase or lease of land meant for industrial use shall be reimbursed.

100% of stamp duty for lease of land/ shed/ buildings, mortgages and hypothecations shall be reimbursed.

ii) VAT/CST/ SGST:

100% of net VAT/CST/SGST shall be reimbursed for a period of 5 years from the date of commencement of commercial production.

iii) Power :

Fixed power cost reimbursement is proposed to be provided @ Rs.1/- per unit for 5 years from the date of commencement of commercial production. This will apply to open access units as well.

Reimbursement of power incentive will be provided subject to condition of installation of separate electric meter for measuring power consumed by M-Sand manufacturing unit, excluding coarse aggregate producing machinery.

The units generating power from captive power plant will not be eligible for the subsidy.

iv) Interest Subsidy:

Interest subsidy on the term loan taken for fixed capital investment by new Micro and Small enterprises in excess of 3% per annum subject to a maximum of 9% per annum for 5 years from the date of commencement of commercial production.

v) All other incentives as per the MSME Policy 2015-20.

1. Medium Enterprises

i) Stamp Duty:

100% of stamp duty and transfer duty paid by the industry on purchase or lease of land meant for industrial use shall be reimbursed.

100% of stamp duty for lease of land/ shed/ buildings, mortgages and hypothecations shall be reimbursed.

ii) VAT/CST/SGST:

75% of net VAT/CST/ SGST shall be reimbursed for a period of 7 years from the date of commencement of commercial production or up to realization of 100% fixed capital investment, whichever is earlier.

iii) Power:

Fixed power cost reimbursement is proposed to be provided @ Rs.1/- per unit for 5 years from the date of commencement of commercial production. This will apply to open access units as well.

Reimbursement of power incentive will be provided subject to condition of installation of separate electric meter for measuring power consumed by M-Sand manufacturing unit, excluding coarse aggregate producing machinery.

The units generating power from captive power plant will not be eligible for the subsidy.

iv) Interest Subsidy:

Interest subsidy on the term loan taken for fixed capital investment by new Medium M-Sand units enterprises @ 5% per annum for 5 years from the date of commencement of commercial production.

v) All other incentives as per the MSME Policy 2015-20.

1. Large Enterprises

All the Large Enterprises will be provided incentives as per the Industrial Development Policy 2015-20.

Special incentives:

a. Interest subsidy for Micro and small sand Manufactured units shall be applicable as per MSME Policy-2015 and for medium units, 5% subsidy on interest shall be provided.

b. 10% reduction of VAT on purchase of machinery/ equipment used in Manufactured Sand units.

c. 50% concession on seigniorage fee on raw materials used in the process of Manufacturing Sand shall be extended both for the new and existing industries.

2) **For all existing M-Sand units**, Special teams will be constituted to study each unit on scientific lines in terms of the Technology adopted, investments made, the production and sales details and P&L accounts of the units since inception, etc., and suggest a customized package of measures both financial and non-financial, for units competitive, as a one off measure delinked from the incentive policy. The said process shall be completed within 60 days from the date of representation made by the existing M-Sand unit holder.

3) All M-Sand units availing incentives from Government shall supply atleast 1/3rd of their production to Govt., works at a rate decided by the District Collector.

4) All existing M-Sand units are eligible for Seigniorage fee concession, power cost reimbursement and VAT/CST/SGST reimbursement as mentioned above based on the category of the industry.

5) Concessions for Conversion of existing stone crushers into M-Sand Units:

1. 10 % Concession on VAT for purchase of machinery to convert existing crushers into M-Sand units or a Green field M-Sand unit will be claimed only on the machinery required for Manufacture of M-Sand.

2. 5% interest subsidy for conversion of crusher units into M- Sand units in case of Medium units and 9% interest subsidy in case of Micro and Small units as stipulated in MSME policy on the Term loan taken for fixed capital investment on M-Sand manufacturing activity.

3. Reimbursement of power incentive will be provided subject to condition of installation of separate electric meter for measuring power consumed by M-Sand manufacturing unit, excluding coarse aggregate producing machinery.

G) Assurance from Govt., to purchase 50% of M-Sand production by the Units:

All Government Engineering Departments consuming sand in their civil works shall insist on the following:

i) Imposition of a condition in their contracts that at least 50% of the total quantity of sand required in such works shall be met by Manufactured sand produced from the Units located within 50 Km radius of the works.

ii) This condition will be extended in phased manner depending on the increase of establishment of Manufactured sand units.

H) Proposed implementation approach:

i) 88 potential mineral areas have been provisionally identified for allotment to Manufactured Sand units. Director of Mines & Geology is directed to indentify new mineral bearing areas for manufacturing Sand.

ii) The Director of Mines & Geology is directed to take action for issuance of RFP for the provisionally identified mineral bearing areas and also for the new mineral bearing areas for allotment to M-Sand units.

iii) The Director of Mines & Geology is also directed to issue RFP in 30 days with the suitable technical and financial parameters for selection of entrepreneurs duly obtaining prior approval of the Government.

4. This orders issues with the concurrence of the Finance Department vide this Department e-file No.15471/M.II(1)/2015, dt.11.01.2016.

5. The Director of Mines & Geology, Hyderabad shall take necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

M. GIRIJA SHANKAR,
SECRETARY TO GOVERNMENT (MINES & FP) (FAC)

To
The Director of Mines & Geology, Hyderabad.
All District Collectors in the State.
All Joint Directors of Mines & Geology. }
All Deputy Directors of Mines & Geology } through Director of
All Assistant Directors of Mines & Geology } Mines & Geology
All Departments of Secretariat, Hyderabad.
The Commissioner of Panchayat Raj, Hyderabad
The Commissioner and Director of Municipal Administration, Hyderabad.
The Panchayat Raj & Rural Development (Pts.III) Department.
The Engineer-in-Chief, Water Resource Department,
The Engineer-in-Chief, TR&B Departmnet,
The Engineer-in-Chief, Panchayath Raj Dept.,
The Managing Director, A.P.Housing Corporation.
The Managing Director, A.P.Police Housing Corporation.

Copy to:

The Secretary to Government of India, Ministry of Mines, New Delhi.
The Law (H) Department.
The Industries and Commerce (M.I/M.III) Department.
The P.S. to Hon'ble Chief Minister.
The P.S. to Hon'ble Minister for Mines and Geology.
The P.S. to C.S.
The P.S.to Secretary to Government, Industries & Commerce Department.
Sf/Sc

//FORWARDED :: BY ORDER//

SECTION OFFICER